



MANUAL ON CORPORATE GOVERNANCE

Approved by the Board of Directors on
July 25, 2021 and November 16, 2021, *as amended*

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PREAMBLE

The primary purpose of FIGARO COFFEE GROUP INC. (the “Company”) is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefor stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends and income arising from such property; and to possess and exercise in respect thereof all the rights, powers, and privileges of ownership, including all voting powers of any stock so owned; to carry on, provide support and manage the general business of any corporation, company, association or joint venture; to exercise such powers, acts or functions as may be essential or necessary to carry out the purpose stated herein; and to guarantee for and in behalf of the Company obligations of other corporations or entities in which it has lawful interest in.

As the Company moves towards the accomplishment of its corporate goals and ultimately to create and sustain increased value for all its shareholders and other stakeholders, the Board of Directors (the “Board”), the management, officers and employees of the Company believe that sound and effective governance is fundamental to its continued success and sustainability.

This Manual on Corporate Governance (hereinafter the “Manual”) recognizes and safeguards the rights of every shareholder. It promotes shareholders’ rights, particularly the rights to information and to participate in the governance process. It supplements and complements the Articles of Incorporation and By-laws of the Company..

The rationale of this Manual is to improve, systematize, and make transparent the governance of the Company, and demonstrate the Company’s commitment to good governance, by developing and furthering:

- Responsible, accountable and value-based performance management;
- Effective oversight, with Board Committees that act in the best interests of the Company and its stakeholders, including minority shareholders, and seek to enhance shareholder value in a sustainable manner; and
- Adequate information disclosure and transparency, as well as effective systems of risk management and internal control.

The members of the Board, the management, and employees understand this Manual as their joint obligation to ensure that its provisions are fully implemented, and their commitment to the highest standards of corporate governance as the Company supports the principles of transparency, integrity and accountability upheld by the Securities and Exchange Commission (the “SEC”) and The Philippine Stock Exchange, Inc. (the “PSE”).

This Manual is issued in compliance with the Securities and Exchange Commission (the “Commission” or “SEC”) Memorandum Circular No. 19, Series of 2016 dated 31 March 2021, otherwise known as the Code of Corporate Governance for Publicly-Listed Companies to develop a strong corporate governance culture in line with recent developments in corporate governance.

CORPORATE GOVERNANCE FRAMEWORK

The Company’s corporate governance framework is based on the following principles:

- **Accountability** – This Manual establishes the Company’s accountability to all its shareholders and other stakeholders, and guides the Board in setting strategies and monitoring the Company’s management.
- **Fairness** – The Company obligates itself to safeguard shareholder rights and ensure the fair treatment of all shareholders, including minority shareholders.
- **Transparency** – The Company ensures that timely and accurate disclosures are made on all material matters, including the financial situation, performance, ownership, and governance, in a manner easily accessible to the public and all interested parties.

ARTICLE I

GOVERNANCE

1. THE BOARD OF DIRECTORS

The Company should be headed by a competent and effective Board to foster the long-term success of the Company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term interests of its shareholders and other stakeholders.

In the exercise of their duties, the members of the Board must act on a fully informed basis, in good faith, with due diligence and care, and in the best interests of the Company,

the stockholders and other stakeholders. The Board is the guardian of fairness, transparency, and accountability in all of the major financial and business dealings of the Company.

1.1 Composition

The Board shall have nine (9) members who shall be elected by the Company's stockholders entitled to vote at the annual meeting, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the By-Laws of the Company.

The Board shall have at least three (3) independent directors, or such number as to constitute at least one-third (1/3) of the members of the Board, whichever is higher.

The Board shall be composed of directors with a collective working knowledge, experience or expertise that is relevant to the Company. The Board shall always ensure that it has an appropriate mix of competence and expertise and that its members remain qualified for their positions, individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board shall ensure that (i) the independent directors possess the necessary qualifications to effectively participate and help secure objective, independent judgement on corporate affairs and to substantiate proper checks and balances, and (ii) none of the disqualifications for an independent director to hold the position.

1.2 Qualifications

A director of the Company shall have the following qualifications:

- a) Ownership of at least one (1) share of the capital stock of the Company;
- b) At least 21 years of age;
- c) A college degree or its equivalent or adequate competence and understanding of the fundamentals of doing business or sufficient experience and competence in managing a business to substitute for such formal education;
- d) Possesses integrity, probity and shall be diligent and assiduous in the performance of his functions.
- e) Other relevant qualifications, such as membership in good standing in business, professional organization, or relevant industry.

1.3 Disqualifications

The following persons are disqualified from being a director of the Company:

- a) Any person who has been finally convicted by a competent judicial or administrative body of the following : (i) any crime involving the purchase or sale of securities as defined in the Securities Regulation Code, e.g. proprietary or non-proprietary membership certificate, commodity futures contract, or interest in a common trust fund, pre-need plan, pension plan, or life plan; (ii) any crime arising out of the person's conduct as an underwriter, broker, dealer, investment corporation, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; or, (iii) any crime arising out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
- b) Any person who, by reason of any misconduct, after hearing or trial, is permanently or temporarily enjoined by order, judgement or decree of the SEC, Bangko Sentral ng Pilipinas (the "BSP") or any court or other administrative body of competent jurisdiction from; (i) acting as an underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or a floor broker; (ii) acting as a director or officer of a bank, quasi-bank, trust company, investment house, investment company or an affiliated person of any of them; (iii) engaging in or continuing any conduct or practice in connection with any such activity or willfully violating laws governing securities, and banking activities.

Such disqualification shall also apply when such person is currently subject to an effective order of the SEC, BSP or any court or other administrative body refusing, revoking, or suspending any registration, license or permit issued under the Corporation Code, Securities Regulation Code ("SRC"), or any other law administered by the SEC or BSP, or under any rule or regulation promulgated by the SEC or BSP, or otherwise restrained to engage in any activity involving securities and banking. Such person is also disqualified when he is currently subject to an effective order of a self-regulatory organization suspending or expelling him from membership or participation or from association with a member or participant of the organization.

- c) Any person finally convicted judicially or administratively of an offense involving moral turpitude or fraudulent acts or transgressions such as, but not limited to, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation or perjury;
- d) Any person finally found by the SEC, BSP or a court or other administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Securities Regulation Code, the Corporation Code of the Philippines, or any other law administered by the SEC or the BSP, or any rule, regulation or order of the SEC or the BSP;
- e) Any person earlier elected as independent director who becomes an officer, employee or consultant of the Company;

- f) Any person judicially declared to be insolvent;
- g) Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations, or misconduct similar to any of the acts, violations or misconduct enumerated previously;
- h) Any person convicted by final judgement of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his election or appointment;
- i) No person shall qualify or be eligible for nomination or election to the Board if he is engaged in any business which competes with or is antagonistic to that of the Company. Without limiting the generality of the foregoing, a person shall be deemed to be so engaged –
 1. If he is a director, officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares of, any corporation (other than one in which this Company owns at least 30% of the capital stock) which is, hostile or antagonistic to or is engaged in a business competitive or antagonistic to that of the Company or any of its Affiliates, both as determined by the Board, by at least two-thirds (2/3) vote;
 2. If he is, or he is an officer, manager, or controlling person of, or the owner or a member of his immediate family is the owner (either of record or beneficial owner) of 10% or more of any outstanding class of shares of any corporation (other than one in which this Company owns at least 30% of the capital stock) which is, an adverse party in any suit, action or proceeding (of whatever nature, whether civil, criminal, administrative or judicial) by or against the Company or any of its Affiliates, which has been actually filed or threatened, imminent or probable to be filed, as determined by the Board by at least two thirds (2/3) vote;
 3. If the Board, in the exercise of its judgment in good faith, determined by at least two-thirds (2/3) vote that he is the nominee, officer, trustee, adviser, legal counsel of any individual set forth in (i.1) or (i.2).

In determining whether or not a person is hostile or antagonistic to the Corporation or is a controlling person, beneficial owner, or the nominee of another, the Board may take into account such factors of business, family and professional relationship.
- j) Other grounds as the SEC may provide.

1.4 Temporary Disqualification of Directors

The following are grounds for the temporary disqualification of incumbent directors:

- a) Refusal to fully disclose the extent of his business interest as well as refusal to comply with all other disclosure requirements under the SRC and its Implementing Rules and Regulations. This disqualification shall be in effect as long as his refusal persists.
- b) Absence or non-participation in more than Fifty Percent (50%) of all meetings, both regular and special, of the Board during his incumbency, or any twelve (12) month period during said incumbency unless such absence was due to illness, death in the immediate family or serious accident. This disqualification applies for purposes of the succeeding election.
- c) Dismissal/ termination from directorship in another listed Company for cause. This disqualification shall be in effect until he has cleared himself of any involvement in the alleged irregularity.
- d) Being under preventive suspension by the Company for any reason.
- e) If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and
- f) Conviction that has not yet become final referred to in the grounds for permanent disqualification of directors.

Temporary disqualification shall be at the discretion of the Board and shall require a resolution of a majority of the Board.

A director shall have sixty (60) days upon the occurrence of any ground for temporary disqualification to remedy or correct the same, otherwise, the disqualification shall become permanent.

1.5 Independent Directors

An independent director means a person who is independent of management and the controlling shareholder, and is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company and includes, among others, any person, who:

- a) Is not, or has not been a senior officer or employee of the Company unless there has been a change in the controlling ownership of the Company;
- b) Is not, and has not been in the three years immediately preceding the election, a director of the Company; a director, officer, employee of the Company's subsidiaries, associates, affiliates or related companies; or a director, officer, employee of the Company's substantial shareholders and its related companies;
- c) Has not been appointed in the Company, its subsidiaries, associates, affiliates or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within three years immediately preceding his election;
- d) Is not an owner of more than two percent (2%) of the outstanding shares of the Company, its subsidiaries, associates, affiliates or related companies;
- e) Is not a relative of a director, officer, or substantial shareholder of the Company or any of its related companies or of any of its substantial shareholders. For this purpose, relatives include spouse, parent, child, brother, sister and the spouse of such child, brother or sister;
- f) Is not acting as a nominee or representative of any director of the Company or any of its related companies;
- g) Is not a securities broker-dealer of listed companies and registered issuers of securities. "Securities broker-dealer" refers to any person holding any office of trust and responsibility in a broker-dealer firm, which includes, among others, a director, officer, principal stockholder, nominee of the firm to the Exchange, an associated person or salesman, and an authorized clerk of the broker or dealer;
- h) Is not retained, either in his personal capacity or through a firm, as a professional adviser, auditor, consultant, agent or counsel of the Company, any of its related companies or substantial shareholder, or is otherwise independent of Management and free from any business or other relationship within the three years immediately preceding the date of his election;
- i) Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director or substantial shareholder, in any transaction with the Company or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not materially interfere with or influence the exercise of his independent judgment;

- j) Is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
- k) Is not employed as an executive officer of another company where any of the Company's executives serve as directors.

"Related companies" refer to (a) the Company's holding/parent company; (b) its subsidiaries; and (c) subsidiaries of its holding/parent company.

"Substantial shareholder" is any person who is directly or indirectly the beneficial owner of more than ten percent (10%) of any class of the Company's equity security.

An independent director shall, within thirty (30) days from his election or appointment, including any re-election or reappointment, submit to the Corporate Secretary a letter of confirmation stating that he holds no interests affiliated with the Company, its management or controlling shareholder.

Officers, executives and employees of the Company may be elected as directors but cannot and shall not be characterized as independent directors.

However, should the independent director take the appropriate action to remedy or correct the disqualification within sixty (60) days from the occurrence of the ground he may still be considered an independent director.

The Company shall, as appropriate, provide independent directors with technical support staff to assist them in performing their duties for such committees. Independent directors may, when necessary, also request and receive support from executives, employees or outside professionals such as auditors, advisers and counsel to perform such duties. The Company shall cover the reasonable expenses of providing such support.

The Board's independent directors shall serve for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and election as a non-independent director. Should the Company decide to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

In case of resignation, disqualification, or cessation of independent directorship and only after notice has been made to the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nominations Committee. Otherwise, the vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office.

1.6 Policy on Multiple Board Seats

A director shall exercise due discretion in accepting and holding of directorships outside of the Company. A director may hold any number of directorships outside of the Company *provided* that these other positions are disclosed to the Company and do not detract from the director's capacity to diligently and adequately perform his duties as a director of the Company.

1.7 Board Meetings and Quorum Requirements

- a) Members of the Board should attend regular and special meetings of the Board in person or via teleconference or videoconference or by any other technological means allowed by the SEC. In case a director attends a meeting through teleconferencing or video conferencing such meetings shall be properly recorded with appropriate tapes, discs, and/or other recording material which shall be properly stored for safekeeping, in addition to the secretary of such meeting maintaining written minutes thereof.
- b) The Board may, to promote transparency, require the presence of at least one independent director in all its meetings. However, the absence of an independent director shall not affect the quorum requirements if he is duly notified of the meeting but not withstanding such notice falls to attend.

1.8 General Responsibilities of the Board of Directors

- a) It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.
- b) A director's office is one of trust and confidence. He should act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He should exercise leadership, prudence and integrity in directing the Company towards sustained progress over the long term.
- c) Compliance with the principles of good governance shall start with the Board. It shall be the Board's responsibility to foster the long-term success of the Company and secure its sustained competitiveness in the global environment in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its shareholders and other stakeholders.
- d) The Board should oversee the development of, formulate, and approve the Company's vision, mission, strategic objectives, and key policies and

procedures for the management of the Company, as well as the mechanism for monitoring and evaluating Management's performance.

- e) To the extent set forth above, the Board shall orient all its activities towards three general guidelines:
 - 1. All actions taken by the Board are subject to the principle of legal permissibility. They must therefore not infringe on the appropriate provisions of Philippine law and the Company's constitutive documents.
 - 2. All actions taken by the Board are subject to the principle of economic usefulness. They should accordingly contribute to increasing the value of the Company in a sustainable manner.
 - 3. The Board should, when carrying out its duties, be aware of its duty as the governing body of a publicly listed company.

- f) Ensure that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders. The minimum internal control mechanisms for the Board's oversight responsibility include, but shall not be limited to:
 - 1. Ensuring the presence of organizational and procedural controls, supported by an effective management information system and risk management reporting system;
 - 2. Reviewing conflict-of-interest situations and providing appropriate remedial measures for the same;
 - 3. Defining the duties and responsibilities of the President who shall be ultimately accountable for the Company's organizational and operational controls; and appointing a President with the appropriate ability, integrity, and experience to fill the role;
 - 4. Evaluation of proposed senior management appointments;
 - 5. Ensuring the selection, appointment and retention of qualified and competent management; reviewing the Company's personnel and human resources policies, compensation plan and the management succession plan;
 - 6. Institutionalizing the internal audit and enterprise risk management ("ERM") functions; and
 - 7. Ensuring the presence of, and regularly reviewing, the performance and quality of external audit.

1.9 Specific Duties of the Board of Directors

The Board shall exert its best effort to ensure a high standard of best practice for the Company, its shareholders and other stakeholders. To do so, it shall perform all the functions which it is required to perform in the Company's By-Laws, including those enumerated below, with honesty and integrity.

- a) Implement a process for the selection of directors who can contribute independent judgment in the formulation and amendment of corporate strategies and policies;
- b) Appointment of competent, honest, professional and highly motivated President and other management officers;
- c) Properly discharge Board functions by meeting regularly. Independent views during Board meetings should be given due consideration;
- d) Constitute an Audit, Corporate Governance and Nominations Committee, Board Risk Oversight Committee, Related Party Transaction Committee such other committees that the law and Corporate Governance Code may mandate. In addition, the Board may create other internal committees with the powers determined by the Board;
- e) Adopt a professional development program for employees and officers, and succession planning for senior management and key positions in the Company;
- f) Provide strategic policies and guidelines to the Company on major capital expenditures and key investments. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies;
- g) Keep the activities and decisions of the Board within its authority under the Articles of Incorporation and By-Laws, and in accordance with existing laws, rules and regulations and ensure that the Company complies with all relevant laws, regulations and, as far as possible, best business practices;
- h) Formulate a clear communication and disclosure strategy to promptly and regularly communicate with the SEC, the PSE and the Company's shareholders and other stakeholders on matters of importance;
- i) Identify the sectors in the community in which the Company operates or are directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them;
- j) Adopt a system of internal checks and balances, which may be applied in the first instance to the Board. Such systems shall be continuously and regularly reviewed and updated to ensure adequacy and effectiveness;

- k) Identify and monitor, and endeavor to provide appropriate technology and systems for the identification and monitoring of key risk and key performance areas. The Board should continuously monitor these factors, with due diligence, to enable the Company to anticipate and prepare for possible threats to its operational and financial viability;
- l) The Board is primarily responsible to the stockholders for financial reporting and control, and should ensure that:
 - 1. All stockholders are provided with relevant and timely information about the Company, including but not limited to a quarterly report and an annual report of the Company's performance, position and prospects through publicly available reports submitted to the SEC and other relevant authorities;
 - 2. A balanced and understandable assessment of the Company's position and prospects is presented. This extends to interim and, other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
 - 3. Their responsibility for preparing the accounts is explained and there should be a statement by the auditors about reporting responsibilities;
 - 4. The business as a going concern is reported, with supporting assumptions or qualifications, if necessary;
 - 5. Sound system of internal control to safeguard stakeholders' investment and the Company's assets is presented;
 - 6. Based on the approved audit plans, scope, and frequency of audits, internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the Company's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
 - 7. The Chief Audit Executive renders to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit plans and strategies approved by the Audit Committee. Such annual report should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management;
- m) Adopt and implement policies and procedures that will ensure the integrity and transparency of related party transactions ("RPTs") between and among

the Company and its parent company, joint ventures, subsidiaries, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of Interlocking director relationships by members of the Board;

- n) Ensure that there is a policy governing RPTs and other unusual or infrequently occurring transactions, particularly those which pass certain thresholds of materiality. The policy should include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions. The policy should encompass all entities within the group, taking into account their size, structure, risk profile and complexity of operations. The RPT policy of the Company shall contain the following, among others:
- Definition of related parties;
 - Coverage of RPT policy;
 - Guidelines in ensuring arms-length terms;
 - Identification and prevention or management of potential or actual conflicts of interest which arise;
 - Adoption of materiality thresholds;
 - Internal limits for individuals and aggregate exposure;
 - Whistle-blowing mechanisms; and
 - Restitution of losses and other remedies for abusive RPTs.
- o) Align the remuneration of key officers and board members with the long-term interests of the Company. In doing so, it shall formulate and adopt a policy specifying the relationship between remuneration and performance. Further, it shall ensure that no director shall participate in discussions or deliberations involving his own remuneration;
- p) Approve the selection and assess the performance of the Management led by the Chief Executive Officer (“CEO”), and control functions led by their respective heads (Chief Compliance Officer and Chief Audit Executive);
- q) Establish an effective performance management framework that will ensure that the Management, including the CEO, and personnel’s performance is at par with the standards set by the Board and Senior Management;
- r) Oversee that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework should guide the Board in identifying units or business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies;
- s) Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including regulatory authorities;

- t) Recommend to the stockholders the appointment of external auditors, in accordance with the recommendation of the Audit Committee;
- u) Create a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense, which expense shall be reasonable.

1.10 Specific Responsibilities of Each Director

The Company's directors shall act in good faith, with due care and in the best interests of the Company and all its shareholders, including minority shareholders, based on all relevant information. Each director is expected to attend board meetings and applicable committee meetings. Directors are expected to ensure that other commitments do not interfere in the discharge of their duties.

In addition to the duties and responsibilities of a Director set forth above and in the Company's By-Laws and existing relevant statutes, a Director shall:

- a) ***Conduct fair business transactions with the Company and ensure that personal interest does not bias Board decisions.*** A director shall not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that may compromise his impartiality. A director with a material interest in any transaction affecting the Corporation shall abstain from taking part in the deliberation for the same. He should observe the conflict of interest policy stated in this Manual;
- b) ***Devote time and attention necessary to properly discharge his duties and responsibilities.*** A director should devote sufficient time to familiarize himself with the Company's business. He should be constantly aware of and be knowledgeable with the Company's operations to enable him to meaningfully contribute to the Board's work. He should attend and actively participate in all Board, committee and shareholders' meetings in person or through tele/videoconferencing conducted in accordance with the rules and regulations of the Commission, except when justifiable causes, such as, illness, death in the immediate family, and serious accidents, prevent him from doing so. In Board and Committee meetings, the director should review meeting materials and, if called for, ask questions or seek clarifications and explanations;
- c) ***Act judiciously.*** Before deciding on any matter brought before the Board of Directors, every director should carefully evaluate the issues, ask questions and seek clarifications as appropriate;
- d) ***Exercise independent judgment.*** A director should view each problem/situation objectively. If a disagreement with other directors arises, he should carefully evaluate and explain his position regardless of such position's unpopularity.

Corollarily, he should support plans and ideas which he believes are beneficial to the Company;

- e) ***Have a working knowledge of the statutory and regulatory requirements*** affecting the Company, including its Articles of Incorporation and By-Laws, the rules and regulations of the SEC and, where applicable, the requirements of relevant regulatory agencies. The director should also keep abreast with industry developments and business trends in order to promote the Company's competitiveness and sustained progress;
- f) ***Observe confidentiality.*** A director shall keep secure and confidential all non-public information acquired or learned by reason of his position as a director. He should not reveal any confidential information to unauthorized persons without the authority of the Board;
- g) ***Ensure the continuing soundness, effectiveness and adequacy of the Company's control environment.*** Each director is responsible for assuring that actions taken by the Board maintain the adequacy of the control environment within the Company;
- h) ***Prior to assuming office, attend a seminar on corporate governance*** which shall be conducted by a duly recognized private or government institution. If necessary, funds shall be allocated by the Company for this purpose.

1.11 Duties and Responsibilities of the Chairman of the Board

The Board shall be headed by a competent and qualified Chairman.

To avoid conflict or a split board and to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making, the Chairman of the Board shall be a separate person from the CEO.

The roles and responsibilities of the Chairman include, among others, the following:

- a) Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- b) Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- c) Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

- d) Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- e) Assures the availability of proper orientation for first-time directors and continuing training opportunities for all directors; and
- f) Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on.

1.12 Duties and Responsibilities of the President and CEO

The duties and responsibilities of the President and CEO include, among others, the following:

- a) Determines the Company's strategic direction and formulates and implements its strategic plan on the direction of the business;
- b) Communicates and implements the Company's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;
- c) Oversees the operations of the Company and manages human and financial resources in accordance with the strategic plan;
- d) Has a good working knowledge of the Company's industry and market and keeps up-to-date with its core business purpose;
- e) Directs, evaluates and guides the work of the key officers of the Company;
- f) Manages the Company's resources prudently and ensures a proper balance of the same;
- g) Provides the Board with timely information and interfaces between the Board and the employees; and
- h) Builds the corporate culture and motivates the employees of the Company; and serves as the link between internal operations and external stakeholders.

1.13 Liabilities of Directors

Directors who willfully and knowingly vote or consent to patently unlawful acts of the Company or who are guilty of gross negligence or bad faith in directing the affairs of the Company or acquire any personal or pecuniary interest in conflict with their duty as such directors, shall be liable jointly and severally for all damages resulting therefrom suffered by the Company, its stockholders and other persons.

When a director attempts to acquire or acquires, in violation of his duty, any interest adverse to the Company in respect of any matter which has been reposed in him in confidence, as to which equity imposes a disability upon him to deal in his own behalf, he shall be liable as a trustee for the Company and must account for the profits which otherwise would have accrued to the Company.

1.14 Compensation and Liability Insurance Coverage of Directors

- a) The Board shall determine a level of remuneration for directors that shall be sufficient to attract and retain directors and compensate them for attendance at meetings of the Board and Board Committees, and performance of numerous responsibilities and undertaking certain risks as a member of the Board. The compensation which may be in the form of cash remuneration and/or stock option plans, shall be fixed by way of a resolution of the Board. The Board may provide that only non-executive directors shall be entitled to such compensation.
- b) The Board shall formulate and adopt a policy specifying the relationship between remuneration and performance, which includes specific financial and non-financial metrics to measure performance and set specific provisions for employees with significant influence on the overall risk profile of the Company. Key considerations in determining proper compensation include the following: (1) the level of remuneration is commensurate to the responsibilities of the role; (2) no director should participate in deciding on his remuneration; and (3) remuneration pay-out schedules should be sensitive to risk outcomes over a multi-year horizon.
- c) For employees in control functions (e.g., risk, compliance and internal audit), their remuneration is determined independent of any business line being overseen, and performance measures are based principally on the achievement of their objectives so as not to compromise their independence.
- d) No director shall be involved in deciding his own remuneration during his incumbent term.
- e) The Company, to ensure effectiveness of holding directors accountable and to attract competent persons as directors, may purchase at its own expense liability insurance coverage for its directors.

2. BOARD COMMITTEES / DIRECTORS

The Board may create such committees, as it may deem necessary to support it in the performance of its functions and in accordance with the By-Laws of the Company and to aid in good governance. The Board should have and disclose in this Manual a formal and transparent board nomination and election policy that should include how it accepts nominations from minority shareholders and reviews nominated candidates. The Board shall

be supported by the following committees, which are required to report to the Board a summary of the actions taken:

2.1 Corporate Governance and Nominations Committee

- a) The Company shall have a Corporate Governance and Nominations Committee which shall have at least (3) members, one of whom is an independent director. The Chair of the Corporate Governance and Nominations Committee shall be an independent director.
- b) The Corporate Governance and Nominations Committee shall have the following duties and responsibilities:
 1. To oversee the implementation of the corporate governance framework and periodically review the said framework to ensure that it remains appropriate in light of the material changes to the Company's size, complexity and business strategy, as well as its business and regulatory environment.
 2. To oversee the periodic performance evaluation of the Board and its committees as well as executive management, and conduct annual self-evaluation of its performance.
 3. To adopt corporate governance policies and ensure that these are reviewed and updated regularly, and consistently implemented in form and substance.
 4. To be responsible for providing shareholders with an independent and objective evaluation of and assurance that the members of the Board are competent and will foster our long-term success and secure our competitiveness.
 5. To determine the nomination and election process for the Company's directors and has the special duty of defining the general profile of board members that the Company may need and ensure appropriate knowledge, competences and expertise that complement the existing skills of the Board.
 6. To promulgate screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
 7. To review and evaluate the qualifications and pre-screen the persons nominated to the Board and other requirements that require Board approval.

8. To assess the effectiveness of the Board's processes and procedures in the election or replacement of the Board of Directors.
9. To establish a formal and transparent procedure to develop a policy of determining the remuneration of directors and principal officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.
10. To comply with all the duties and responsibilities prescribed by the SEC under applicable laws, rules and regulations.

2.2 Audit Committee

- a) The Company shall have an Audit Committee, which shall consist of at least three (3) members of the Board of Directors, who shall preferably have an accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The Chair of the Audit Committee shall be an independent director.
- b) The Company should establish an Audit Committee to enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.
- c) The Audit Committee is responsible for overseeing the senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It ensures that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets. It shall have the following particular duties and responsibilities:
 1. Assists the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
 2. Performs oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independent from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
 3. Reviews the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;

4. Prior to the commencement of the audit, discusses with the External Auditor the nature, scope and expenses of the audit, and ensures proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
5. Evaluates and determines the non-audit work, if any, of the External Auditor, and periodically reviews the non-audit fees paid to the External Auditor in relation to the total fees paid to him and to the Company's overall consultancy expenses. The committee should disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the corporation's Annual Report and Annual Corporate Governance Report;
6. Organizes an Internal Audit ("IA") Department, and consider the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
7. Through the IA Department, monitors and evaluates the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets. Well-designed internal control procedures and processes that will provide a system of checks and balances should be in place in order to (a) safeguard the company's resources and ensure their effective utilization, (b) prevent occurrence of fraud and other irregularities, (c) protect the accuracy and reliability of the Company's financial data, and (d) ensure compliance with applicable laws and regulations;
8. Oversees the IA Department, and recommends the appointment and/or grounds for approval of an internal audit head or Chief Audit Executive ("CAE"). The Audit Committee should also approve the terms and conditions for outsourcing internal audit services;
9. Reviews the reports submitted by the internal and external auditors;
10. Reviews the quarterly, semestral and annual financial statements before their submission to the Board, with particular focus on the following matters;
 - i. Any change in accounting policies and practices;
 - ii. Major judgment areas;
 - iii. Significant adjustments resulting from the audit;
 - iv. Going concern assumptions;
 - v. Compliance with accounting standards; and
 - vi. Compliance with tax, legal and regulatory requirements.
11. Reviews the disposition of the recommendations in the External Auditor's management letter;

12. Performs oversight functions over the Company's Internal and External Auditors. It ensures the independence of Internal and External Auditors, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
 13. Coordinates, monitors and facilitates compliance with laws, rules and regulations;
 14. Evaluates and determines the non-audit work, if any, of the External Auditor, and reviews periodically the non-audit fees paid to the external auditor in relation to their significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The committee shall disallow any non- audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, should be disclosed in the Company's annual report and Annual Corporate Governance Report;
 15. Establishes and identifies the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee;
 16. Reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations;
 17. The Audit Committee shall ensure that, in the performance of the work of the internal auditor, he shall be free from interference by outside parties; and
 18. To comply with all the duties and responsibilities prescribed by the SEC under applicable laws, rules and regulations.
- d) The Audit Committee should have a robust process for approving and recommending the appointment, reappointment, removal, and fees of the External Auditor. The appointment, reappointment, removal, and fees of the External Auditor should be recommended by the Audit Committee, approved by the Board and ratified by the shareholders.
- e) The Audit Committee shall disclose the nature of the non-audit services performed by its external auditor in the Annual report to deal with the potential conflict of interest. The Audit Committee shall be alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.

2.3 Board Risk Oversight Committee

- a) The Company shall have a Board Risk Oversight Committee which shall have at least three (3) members, one of whom is an independent director.
- b) The Board Risk Oversight Committee shall have the following duties and responsibilities:
 - 1. To provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company, including but not limited to regular receipt from Management of information on risk exposures, risk management and crisis management activities.
 - 2. To oversee the performance of the Chief Risk Officer, who shall champion the Enterprise Risk Management system and possesses the authority, stature, resources and support to fulfill his/her responsibilities.
 - 3. To review the adequacy and effectiveness of the Company's policies and procedures relating to the identification, analysis, management, monitoring and reporting of financial and non-financial risks.
 - 4. To ensure that Management establishes, appraises and addresses the risks to the Company, and sufficiently and swiftly manages said risks, especially those categorized as having high impact with high probability of occurring.

2.4 Related Party Transaction Committee

- a) The Company shall have a Related Party Transaction ("RPT") Committee which shall have at least three (3) members, one of whom is an independent director. The Chair of the RPT Committee shall be an independent director.
- b) The RPT Committee shall have the following duties and responsibilities:
 - 1. To ensure that the Company has an enterprise-wide policy and system governing RPTs.
 - 2. To evaluate and monitor existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured.
 - 3. To review, evaluate and approve all material RPTs in accordance with the parameters set by the Board.

4. To ensure that related parties, RPTs and changes in relationships are regularly reported to the Board, including information on the status, aggregate exposure to each related party and the total amount of exposure to all related parties.
5. To ensure that the appropriate and mandatory disclosures are made to regulatory authorities relating to the Company's RPTs.
6. To oversee the implementation of the Company's RPT policy and system for identifying, monitoring, measuring, controlling and reporting RPTs, including a periodic review of RPT-related policies and procedures.
7. To recommend any changes or enhancements to the Company's RPT policies and procedures as and when it deems necessary.

ARTICLE II

MANAGEMENT

GENERAL RESPONSIBILITIES OF MANAGEMENT

- a) Management is primarily responsible in deciding the day-to-day affairs of the Company. It determines the Company's activities by putting the Company's targets in concrete terms and by formulating the basic strategies for achieving these targets. It also puts in place the infrastructure for the Company's success by establishing the following mechanisms in its organization:
 1. purposeful legal and organizational structures that work effectively and efficiently in attaining the goals of the Company;
 2. useful planning, control and risk management systems that assess risks on an integrated cross-functional approach;
 3. information systems that are defined and aligned with IT strategy and the business goals of the Company; and
 4. a plan of succession that formalizes the process of identifying, training and selection of successors in key positions in the Company.
- b) Management is primarily accountable to the Board for the operations of the Company. As part of its accountability, it is also obligated to provide the Board with complete, adequate and timely information on the operations and affairs of the Company.

1. OFFICERS OF THE COMPANY

The Officers of the Company are the President, the Vice-President, the Treasurer, the Secretary and the Assistant Secretary. The Officers shall be elected by the Board of Directors. In addition:

- a) The Board may from time to time appoint such other officers as it may determine to be necessary or proper or as may be required by law.
- b) Any two (2) or more compatible positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

1.1 The President

The President, who shall be a director, shall be the Chief Executive Officer of the Company and shall also have administration and direction of the day-to-day business affairs of the Company. He shall exercise the following functions:

- a) To preside at the meetings of the Board and of the stockholders in the absence of the Chairman of the Board;
- b) To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board, including those for executive training, development and compensation;
- c) To have general supervision and management of the business affairs and property of the Corporation;
- d) To ensure that the administrative and operational policies of the Corporation are carried out under his supervision and control;
- e) Subject to the guidelines prescribed by law, to appoint, remove, suspend or discipline employees of the Corporation, prescribe their duties, and determine their salaries;
- f) To oversee the preparation of the budgets and the statements of accounts of the Corporation;
- g) To prepare such statements and reports of the Corporation as may be required of him by law;
- h) To represent the Corporation at all functions and proceedings;
- i) To execute on behalf of the Corporation all contracts, agreements and other instruments affecting the interests of the Corporation which require the approval of the Board, except as otherwise directed by the Board of Directors;
- j) To make reports to the Board and stockholders;
- k) To sign certificates of stock; and
- l) To perform such other duties as are incident to his office or are entrusted to him by the Board.

The President may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s) subject always to his supervision and control.

1.2 The Vice-President

He shall, if qualified, act as President in the absence of the latter. S/He shall have such other powers and duties as may from time to time be assigned to him by the Board or by the President.

1.3 The Corporate Secretary

The Corporate Secretary must be a resident and citizen of the Philippines. The Corporate Secretary shall not be a member of the Board of Directors and shall annually attend a training on corporate governance. The Corporate Secretary is primarily responsible to the Company and its stockholders, and not to the Chairman or President of the Company. He shall be the custodian of and shall maintain the corporate books and record and shall be the recorder of the Company' s formal actions and transactions. He shall have the following specific powers and duties:

- a) To record or see to the proper recording of the minutes and transactions of all meetings of the Board and the stockholders and to maintain minute books of such meetings in the form and manner required by law;
- b) To keep or cause to be kept record books showing the details required by law with respect to the stock certificates of the Corporation, including ledgers and transfer books showing all shares of the Corporation subscribed, issued and transferred;
- c) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;
- d) To attend to the giving and serving of all notices of the Corporation required by law or these By-Laws to be given;
- e) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations;
- f) To act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count

and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote;

- g) To perform such other duties as are incident to his office or as may be assigned to him by the Board or the President; and
- h) To perform such other duties and responsibilities as may be provided by the SEC.

The Corporate Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control.

1.4 The Treasurer

The Treasurer of the Company shall be its Chief Financial Officer and the custodian of its funds, securities and property. The Treasurer shall have the following duties:

- a) To keep full and accurate accounts of receipts and disbursements in the books of the Company;
- b) To have custody of, and be responsible for, all the funds, securities and bonds of the Company;
- c) To deposit in the name and to the credit of the Company in such bank(s) as may be designated from time to time by the Board, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the Company which may come under his control;
- d) To render an annual statement showing the financial condition of the Company and such other financial reports as the Board, the Chairman, or the President may, from time to time require;
- e) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies; and
- t) To exercise such powers and perform such duties and function as may be assigned to him by the President.

ARTICLE III

GOVERNANCE POLICY ON CONFLICT OF INTEREST

The personal interest of directors and officers should never prevail over the interests of the Company. They are required to be loyal to the organization so much so that they may not directly or indirectly derive any personal profit or advantage by reason of their position in

the Company. They must promote the common interests of shareholders, other stakeholders and the Company without regard to their own personal and selfish interests.

- a) A conflict of interest exists when a director or an officer of the Company:
 - 1. Supplies or is attempting or applying to supply goods or services to the Company;
 - 2. Supplies or is attempting to supply goods, services or information to an entity in competition with the Company;
 - 3. By virtue of his office, acquires or is attempting to acquire for himself a business opportunity which should belong to the Company;
 - 4. Is offered or receives consideration for delivering the Company's business to a third party; and
 - 5. Is engaged or is attempting to engage in a business or activity which competes with or works contrary to the best interests of the Company.

- b) If an actual or potential conflict of interest should arise on the part of directors, it should be fully disclosed and the concerned director should not participate in the decision making process. A director who has a continuing conflict of interest of a material nature should either resign or, if the Board deems appropriate, be removed from the Board;

- c) A contract of the Company with one or more of its directors or officers is voidable, at the option of the Company, unless all the following conditions are present:
 - 1. The presence of such director in the board meeting in which the contract was approved was not necessary to constitute a quorum for such meeting;
 - 2. The vote of such director was not necessary for the approval of the contract;
 - 3. The contract is fair and reasonable under the circumstances; and
 - 4. In case of an officer, the contract has been previously approved by the Board of Directors.

Where any of the first two (2) conditions set forth in the preceding paragraph is absent, in the case of a contract with a director, such contract may be ratified by the vote of stockholders representing two-thirds (2/3) of the outstanding capital stock in a meeting called for that purpose; provided that full disclosure of the adverse interest of the director involved is made at such meeting; and provided, further, that the contract is fair and reasonable under the circumstances;

- d) Where a director, by virtue of his office, acquires for himself a business opportunity which should belong to the Company, thereby obtaining profits to the prejudice of the Company, the director must account to the latter for all

such profits by refunding the same, unless his act has been ratified by a vote of the stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock. This provision shall be applicable notwithstanding the fact that the director risked his own funds in the venture;

- e) The director is required to comply with all disclosure requirements of the SRC and its Implementing Rules and Regulations and voluntarily disclose any conflict of interest, whether actual or potential, upon its occurrence. The disclosure should be made fully and immediately;
- f) The foregoing is without prejudice to the Company's existing Rules or Code of Conduct and Ethics for its officers, employees and staff.

ARTICLE IV

RELATED PARTY TRANSACTIONS

It is the policy of the Company that related party transactions ("RPTs") between the Company or any of its subsidiaries or affiliates and a related party as defined in the Company's RPT Policy shall be subject to review and approval to ensure that they are at arm's length, the terms are fair, and they will inure to the best interest of the Company and its subsidiaries or affiliates and their shareholders. Related party transactions shall be reviewed, approved and disclosed in accordance with the Company's RPT Policy consistent with the principles of transparency and fairness. The Board, through its RPT Committee shall have oversight authority over the Company's RPT Policy.

ARTICLE V

AUDIT AND COMPLIANCE

1. INTERNAL AUDIT

- a) The Company shall establish an Internal Audit Group which shall provide independent and objective assurance and consulting services designed to add value and improve on the Company's operations. It shall provide the Board, Management and the stockholders with reasonable assurance that the

Company's key organizational and operational controls are effective, appropriate, and faithfully complied with. It shall review, audit and report on, among others, the effectiveness of the system of organizational controls, taking into account the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance;

- b) It shall perform its auditing functions faithfully by maintaining independence from the management and controlling shareholders;
- c) The Internal Audit Group shall be headed by a CAE. The CAE shall preferably be a Certified Public Accountant and/or a Certified Internal Auditor and shall report periodically and as required by the Audit Committee of the Board of Directors on its performance, including the status of audit and consulting engagements, compliance with the Annual Audit Plan, significant interim changes, and the sufficiency and proficiency of Internal Audit resources; and
- d) The Internal Auditors shall report that their activities are conducted in accordance with the International Standards on Professional Practice of Internal Auditing. Otherwise, the CAE shall disclose to the Board and Management that it has not yet achieved full compliance with the said international standards.
- e) The following are the functions of internal audit, among others:
 - 1. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
 - 2. Performs regular and special audit as contained in the annual audit plan and/or based on the Company's risk assessment;
 - 3. Performs consulting and advisory services related to governance and control as appropriate for the organization;

4. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of all areas of the Company;
5. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
6. Evaluates specific operations at the request of the Board or Management, as appropriate; and
7. Monitors and evaluates governance process.

2. EXTERNAL AUDIT

- a) The Board, through the Audit Committee, shall recommend to the stockholders a duly accredited external auditor who shall undertake an independent audit and shall provide an objective assurance on the way in which the financial statements shall have been prepared and presented;
- b) The External Auditor shall –
 1. Perform fair audits independently from the Company, its management and controlling shareholders, so that shareholders and other users may maintain confidence in the Company's accounting information;
 2. Check whether any fact conflicts with the audit results in the information disclosed regularly with the audited financial statements, and demand correction, if necessary;
 3. Attend the annual stockholders meeting and answer any questions on audit reports and on themselves, their work and their remuneration; and
 4. Perform such other functions as may be approved by the Board in its engagement of the auditor, *provided, however*, that non-audit work shall not be in conflict with the functions of the auditor as external auditor.
- c) The External Auditor shall be rotated every five (5) years or earlier, or the handling partner shall be changed;
- d) The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the Company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which if not resolved to the satisfaction of the former auditor,

would have caused making reference to the subject matter of the disagreement in connection with its report; and

- e) If an external auditor believes that the statements made in an annual report, information statement or proxy statement filed during his engagement are materially misstated, he shall also present his views in said reports.

3. COMPLIANCE SYSTEM

To ensure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer. The Compliance Officer should annually attend a training on corporate governance.

The Compliance Officer shall perform the following duties:

1. Ensure proper onboarding of new directors such as giving orientation on the Company's business, Articles of Incorporation and By-Laws, among others;
2. Monitor, review, evaluate and ensure the compliance by the Company, its officers and directors with the provisions and requirements of this Manual, as well as the rules and regulations and all government issuances of regulatory agencies ("Regulatory Rules");
3. Issue an annual certification on the extent of the Company's compliance with this Manual for the completed year, explaining the reason/s of the latter's deviation from the same, if any;
4. Provide the SEC at the end of every fiscal year with a sworn certification that the requirement for independent directors and their attendance at meetings in accordance with Sec. 11(7) of SEC Memorandum Circular No.2 has been complied with;
5. Identify and monitor compliance risks and issues and work towards the resolution of the same;
6. Determine violations of this Manual and Regulatory Rules and create a system for according due notice, hearing, and due process for dealing with violations of the Manual and Regulatory Rules;
7. Recommend the imposition of appropriate disciplinary action for violations of the Manual and Regulatory Rules, for further review and approval of the Board, and adopt measures to prevent repetition of any violation; and
8. Ensure the integrity and accuracy of all documentary submissions to regulators;
9. Appear before the SEC when summoned in relation to compliance with the Manual;
10. Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
11. Ensure the attendance of board members and key officers to relevant trainings; and

12. Perform such other duties and responsibilities as may be provided by the SEC.

The appointment of the Compliance Officer shall be immediately disclosed to the SEC and PSE. All correspondence relative to his functions as such shall be addressed to said Officer.

ARTICLE VI

COMMUNICATION AND INFORMATION

1. MANAGEMENT'S RESPONSIBILITY FOR INFORMATION

a) Management is primarily responsible to the Board for financial reporting and control, and to this extent, shall:

1. Present a balanced and understandable assessment of the Company's position and prospects. This extends to interim and other price-sensitive public reports and reports to regulators as well as to information required to be presented by statutory requirements;
2. Explain their responsibility for preparing the accounts, for which there should be a statement by the auditors about their reporting responsibilities;
3. Report that the business is a going concern, with supporting assumptions or qualifications, if necessary;
4. Consistently comply with the financial reporting requirements of the SEC;
5. Maintain a sound system of internal control to safeguard stakeholders' investment and the Company's assets;
6. Based on the approved audit plans, scope and frequency of audits, ensure that internal audit examinations cover, at least, the evaluation of adequacy and effectiveness of controls encompassing the organization's governance, operations, information systems, to include reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with laws, rules, regulations, and contracts;
7. Require the CAE to render to the Audit Committee an annual report on the internal audit department's activity, purpose, authority, responsibility and performance relative to the audit; and
8. Report the plans and strategies approved by the Audit Committee of the Board. Such annual report should include significant risk exposures

and control issues, corporate governance issues, and other matters needed or requested by the Board and senior management.

- b) Management shall be primarily responsible for the adequate flow of information to the Board. This information may include the background or explanatory information relating to matters to be brought before the Board, copies of disclosure statements and documents, budgets, forecasts and monthly internal financial statements. Any variance between projections and actual results should also be disclosed and explained by Management to the Board.

2. THE INVESTOR RELATIONS FUNCTION

There shall be an Investor Relations Officer within the Company, which shall be tasked with –

1. Creation and implementation of an investor relations program that is compliant with the regulatory requirements and that reaches out to all shareholders and fully informs them of corporate activities in a timely and accurate manner;
2. Formulation of a clear policy on communicating or relating relevant information to Company stakeholders and to the broader investor community accurately, effectively and sufficiently;
3. Preparation of information to be reported or disclosed to the SEC and the PSE; and
4. Dissemination of this Manual, and the conduct of an orientation program for the Board and Management.

The Investor Relations Officer shall closely coordinate with the Chief Financial Officer and Compliance Officer of the Company who shall oversee all reporting and disclosures to the SEC and PSE.

3. COMMUNICATION OF THIS MANUAL

This Manual, shall be submitted to the SEC and the PSE. It shall also be made available to any stockholder of the Company through its corporate website.

All directors, executives and officers of the Company are required to ensure complete dissemination of this Manual to all employees and enjoin compliance in the process. Orientation program, trainings and/or workshops shall be conducted to facilitate the implementation of this Manual.

ARTICLE VII

DISCLOSURE AND TRANSPARENCY

1. ENHANCING THE REPORTORIAL AND DISCLOSURE SYSTEM, POLICIES AND PROCEDURES OF COMPANY'S CORPORATE GOVERNANCE POLICIES

The Board shall commit at all times to adequately and timely disclose all material information that could potentially affect the Company's share price and such other information that are required to be disclosed pursuant to the SRC and its Implementing Rules and Regulations, the PSE Disclosure Rules, as well as other relevant laws. The Board shall therefore commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate PSE mechanisms for listed companies and submission to the SEC for the interest of its stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government, and community in which it operates. This information include but are not limited to earnings results, acquisition or disposal of significant assets, off balance sheet transactions, changes in Board membership as well as changes in shareholdings of directors and officers, and remuneration of directors and officers and related party transactions.

The Company shall also post in its website a copy of this Manual. The Company shall likewise make available in its website (i) a copy of the minutes of the Annual and Special Shareholder's Meetings within five (5) business days from end of meeting; (ii) the result of the votes taken during the most recent Annual or Special Shareholders' Meeting within the next working day; and (iii) other related information that may be required to be disclosed by the SEC and the PSE.

The Board shall fully disclose all relevant and material information on individual board members and key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.

The Company shall ensure that basic shareholder rights are disclosed in this Manual and on the Company's website.

The Company shall disclose the reasons for the removal or change of External Auditor to the regulators and the public through the company website and required disclosures.

The Company shall make full, fair, accurate and timely disclosure to the public of every material fact or event that occurs, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability of the interest of its stockholders and other stakeholders. Moreover, the Board of the offeree company shall appoint an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.

The Company shall disclose its policies governing RPTs and other unusual or infrequently occurring transactions in this Manual. The material or significant RPTs reviewed and approved during the year shall be disclosed in its Annual Corporate Governance Report.

The Company shall submit this Manual, which contains its corporate governance policies, programs and procedures, to the regulators and shall post the same on its website.

2. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORTING

The Board shall have a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (“EESG”) issues of its business, which underpin sustainability. The Company shall adopt a globally recognized standard or framework in reporting sustainability and non-financial issues.

3. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

The Company shall include media and analysts’ briefings as channels of communication to ensure the timely and accurate dissemination of public, material, and relevant information to its shareholders and other investors.

ARTICLE VIII

EVALUATION SYSTEMS AND TRAINING

1. EVALUATION SYSTEMS

The Compliance Officer shall establish an evaluation system to measure the performance of the Board and the Executive Officers of the Company in terms of good governance practices. This shall be annually conducted by the Corporate Governance and Nominations Committee, which shall discuss the results thereof at a Board meeting. Independent consultants may also be invited to assist in this process.

2. TRAINING

The Company shall provide a comprehensive orientation program for new directors, including an understanding of the contribution that the Director is expected to make, an

explanation of the Board and its committees, and an explanation of the Company's business, including corporate governance and other issues that will assist them in discharging their duties.

The Company shall also provide general access to training courses to its Directors as a matter of continuous professional education as well as to maintain and enhance their skills as directors, and keep them updated in their knowledge and understanding of the Company's business. The Board Committees may also hire independent legal counsel, accounting, or other consultants to advise them when necessary.

ARTICLE IX

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

1. STOCKHOLDERS' RIGHTS

The Board shall be committed to respect the following rights of the stockholders:

- a) **Voting Right** - Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.

Cumulative voting may be used in the election of directors. Directors may be removed with or without cause, but directors shall not be removed without cause if it will deny minority shareholders representation in the Board. Removal of directors requires an affirmative vote of two-thirds (2/3) of the outstanding capital of the Company.

- b) **Right of Inspection.** - Shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be provided an annual report, including financial statements, without cost or restrictions.
- c) **Right to Information** - Upon request and for a legitimate purpose, a shareholder shall be provided with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the Company's shares, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and officers. The Information Statement/Proxy Statement where these are stated must be distributed to the shareholders before annual general meetings and in the Registration Statement and Prospectus in case of registration of shares for public offering with the SEC.

The minority shareholders shall have the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

In accordance with existing law and jurisprudence, minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management should include such information and, if not included, then the minority shareholders can propose to include such matters in the agenda of stockholders' meeting provided always that this right of access is conditioned upon the requesting shareholder's having a legitimate purpose for such access.

- d) **Right to Dividends** - Shareholders have the right to receive dividends subject to the discretion of the Board. However, the SEC may direct the Company to declare dividends when its retained earnings is in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for a special reserve for probable contingencies.
- e) **Appraisal Right** -In accordance with the Corporation Code, shareholders may exercise appraisal rights under the following circumstances:
1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
 2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantiality all of the corporate property and assets as provided in the Corporation Code; and
 3. In case of merger or consolidation.
- f) The Minutes of the Annual and/or Special Shareholders' Meeting should be available on the Company's website within five (5) business days from the end of the meeting. The said Minutes shall include:
- a. Description of the voting and vote tabulation procedures used.
 - b. Opportunity given to shareholders to ask questions, as well as a record of the questions and the answers received.
 - c. The matters discussed and the resolutions reached.
 - d. A record of the voting results for each agenda item.
 - e. A list of the directors, officers, and shareholders who attended the meeting.
 - f. Dissenting opinion on any agenda item that is considered significant in the discussion process.

2. DUTY OF DIRECTORS TO PROMOTE SHAREHOLDERS RIGHTS

It is the duty of the directors to promote shareholders rights, remove impediments to the exercise of shareholders rights and provide effective redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

ARTICLE X

DUTIES TO STAKEHOLDERS

1. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDERS RIGHTS

The Board shall identify the various stakeholders of the Company and promote cooperation between them and the Company in creating wealth, growth and sustainability.

The Board shall establish clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.

The Board shall adopt a transparent framework and process that allow stakeholders to communicate with the Company and to obtain redress for the violation of their rights.

2. ENCOURAGING EMPLOYEES' PARTICIPATION

The Board shall establish policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and in its governance. These shall include (1) health, safety and welfare; (2) training and development; and (3) reward/compensation.

The Board shall set the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct. Further, the Board shall disseminate the policy and program to employees across the organization through trainings to embed them in the culture of the Company.

The Board shall establish a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit

created to handle whistleblowing concerns. The Board shall be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.

The Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the Company to grow its business, while contributing to the advancement of the society where it operates.

ARTICLE XI

PENALTIES FOR NON-COMPLIANCE WITH THIS MANUAL

To strictly observe and implement the provisions of this Manual, the following penalties shall be imposed after notice and hearing, on the Company's directors, officers, staff, in case of violation of any of the provisions of this Manual:

1. In case of first violation, the subject person shall be reprimanded;
2. In case of second violation, suspension from office shall be imposed. The duration shall be at the reasonable discretion of the Board, depending on the gravity of the violation;
3. For third violation, removal from office. The commission of a third violation of this manual by any member of the Board shall be a sufficient cause for removal from directorship.

ARTICLE XII

REVIEW AND AMENDMENT OF MANUAL

The provisions of this Manual and the enforcement thereof shall be subject to annual review by the Compliance Officer in coordination with the Corporate Governance and Nominations Committee, unless otherwise stated by the Board.

All business processes and practices being performed within any department or business unit of the Company that are not consistent with any portion of this Manual shall be revoked unless upgraded to the compliant state.

This Manual is subject to review and amendment to continuously improve the Company's corporate governance practices by assessing their effectiveness and comparing them with evolving best practices, standards identified by leading governance authorities and the Company's changing, circumstances and needs.

ARTICLE XIII

ADOPTION AND EFFECTIVITY


The Manual was adopted by the Board of Directors of the Company on July 25, 2021, and on November 16, 2021, as amended.



Justin T. Liu
Chairman



Divina Gracia G. Cabuloy
President and CEO



Sigrid Von D. De Jesus
Chief Compliance Officer